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ANNUAL REPORT
to
STOCKHOLDERS

WEINBERGER DRUG STORES, INC.
AND SUBSIDIARY
CLEVELAND, OHIO

FOR THE FISCAL YEAR ENDED
JUNE THE THIRTIETH
NINETEEN HUNDRED
THIRTY-NINE

ACCOUNTANTS' CERTIFICATE

August 24, 1939

Weinberger Drug Stores, Inc.,
Cleveland, Ohio.

We have made an examination of the consolidated balance sheet of WEINBERGER DRUG STORES, INC., and subsidiary SUPERIOR LABORATORIES, INC., as at June 30, 1939, and of the consolidated statements of profit and loss and surplus for the year ended at that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence, and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Inventories as of June 30, 1939, were established from inventory records maintained by the companies which were based principally upon physical inventories taken by the companies near that date. Our examination of the inventories included observation of procedures followed by the companies in ascertaining quantities located in the warehouse and laboratory and in stores selected by us. In addition thereto, we reviewed inventory records maintained by the companies and made tests of the basis of pricing and of computations.

In our opinion, based upon our examination, the accompanying balance sheet and related statements of profit and loss and surplus fairly present the consolidated position of the Company and its subsidiary at June 30, 1939, and the consolidated results of their operations for the year ended at that date. Further, it is our opinion that the statements have been prepared in accordance with accepted principles of accounting and on a basis consistent with the preceding year.

ERNST & ERNST
Certified Public Accountants

TO THE SHAREHOLDERS:

I present herewith the annual report of the Corporation for the fiscal year ended June 30, 1939, as shown by the audit of the Corporation's books, made and submitted by Messrs. Ernst & Ernst.

You will observe that the net profit for the year, after deducting all charges, including depreciation and provision for all Federal and other taxes, was $101,863.43, which is slightly in excess of $1.27 per share on the 80,000 shares issued and outstanding.

The volume of gross business and the net profits were, of course, adversely affected by the strike, which covered a period of sixty days. The management is glad to state that it considers the present relations between the Corporation and its employes to be friendly and cordial. This should be beneficial to all concerned—the Corporation—its employes—its shareholders—and the public.

The directors are aware that the shareholders would like, and are entitled to, an expression with reference to the dividend policy. This matter has been discussed at length and with great care, with due appreciation of the desirability of getting back to a dividend paying basis soon; but it is the opinion of the directors that the best interests of the Corporation, and its shareholders, will be served by deferring, for the time being, the declaration of a dividend, thus building up a stronger, financially better corporation. They are mindful of the shareholder's interest and hope that dividends may be resumed at an early date.

Very truly yours,
ADOLPH WEINBERGER
President.

CONSOLIDATED BALANCE SHEET

WEINBERGER DRUG STORES, INC. AND SUBSIDIARY

June 30, 1939

ASSETS

CURRENT ASSETS			
Cash		$ 87,726.66	
Trade accounts receivable		21,569.81	
Tax stamps-state		11,973.22	
Merchandise inventories—at lower of cost or market:			
At stores	$653,145.00		
At warehouse and laboratory	484,072.53		
In transit	35,569.76	$1,172,787.29	$1,294,056.98
OTHER ASSETS			
Cash surrender value of life insurance (Note A)		$ 25,066.88	
Miscellaneous receivables, etc.		12,247.86	
Deposits—rent, etc.		2,978.60	
Claims against closed banks, etc.	$ 4,556.86		
Less reserve	3,324.42	1,232.44	41,525.78
FIXED ASSETS			
Furniture and fixtures, etc.—at cost	$464,405.64		
Leasehold improvements—at cost	163,129.63	$ 627,535.27	
Less reserves for depreciation and amortization		255,308.96	372,226.31
PATENTS AND TRADE-MARKS			1.00
DEFERRED CHARGES			
Prepaid insurance, deferred taxes, supplies, etc.			49,735.23
			$1,757,545.30

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES			
Note payable—to bank:			
Payments maturing prior to June 30, 1940 (Note A)			$ 60,000.00
Accounts payable:			
Trade accounts		$ 240,492.24	
Salaries, wages and additional compensation		16,896.94	
Pay roll taxes		10,877.98	268,267.16
Accrued taxes, rent and interest			39,209.19
Provision for federal taxes on income—estimated			19,300.00
			$ 386,776.35
LONG TERM DEBT			
Note payable to bank—amount maturing subsequent to June 30, 1940—payable $5,000.00 monthly (Note A)			210,000.00
RESERVE			
For general contingencies			24,000.00
CAPITAL STOCK AND SURPLUS			
Capital stock (without par value):			
Authorized 100,000 shares			
Outstanding 80,000 shares—stated capital		$ 589,670.00	
Surplus:			
Capital surplus	$105,409.39		
Earned surplus	441,689.56	547,098.95	1,136,768.95
			$1,757,545.30

Note A—In connection with note payable to bank, the Company deposited as collateral security therefor insurance policies, on the lives of its president and vice president, in the aggregate amounts of $128,449.00 and $62,500.00, respectively. The loan agreement with the bank provides, among other things, that until such loan shall have been repaid in full the Company will not, without written consent of the bank, declare or pay any dividend or make any distribution upon its capital stock.

Note B—The management of the Company has no knowledge of any contingent liabilities other than pending suits and claims for personal injury as to which, considering the nature of such cases and the amounts involved, the proceedings will not, in the opinion of the management of the Company, result in any losses of a material amount to the Company and its subsidiary.

SUMMARY OF CONSOLIDATED PROFIT AND LOSS AND SURPLUS

WEINBERGER DRUG STORES, INC. AND SUBSIDIARY

Year ended June 30, 1939

SUMMARY OF CONSOLIDATED PROFIT AND LOSS

Gross profit			$1,630,642.62
Selling, general and administrative expenses			1,484,799.32
OPERATING PROFIT			$ 145,843.30
Other income:			
Telephone and vending machine revenue		$ 5,891.00	
Discount on tax stamps		3,530.75	
Sundry income		1,576.53	10,998.28
			$ 156,841.58
Other deductions:			
Provision for contingencies		$ 12,000.00	
Interest expense		11,390.93	
Expenses and provision for loss in connection with leases on abandoned locations—net		4,763.74	
Life insurance expense—net		4,067.07	
Loss on disposal of capital assets—net		1,289.02	
Sundry deductions		2,382.96	35,893.72
PROFIT BEFORE FEDERAL TAXES ON INCOME			$ 120,947.86
Federal taxes on income:			
Provision for current year—estimated		$ 19,300.00	
Less adjustments for prior years—net		215.57	19,084.43
NET PROFIT			$ 101,863.43

Note—Provisions for depreciation and amortization, in the aggregate amount of $62,996.10, are included in expenses in the profit and loss statement.

CONSOLIDATED SURPLUS

CAPITAL SURPLUS			
Balance at July 1, 1938, and June 30, 1939			$ 105,409.39
EARNED SURPLUS			
Balance at July 1, 1938		$ 379,826.13	
Net profit for year ended June 30, 1939		101,863.43	
		$ 481,689.56	
Cash dividends:			
$.25 a share paid Oct. 1, 1938	$ 20,000.00		
$.25 a share paid Jan. 3, 1939	20,000.00	40,000.00	
BALANCE—JUNE 30, 1939			441,689.56
TOTAL SURPLUS—JUNE 30, 1939			$ 547,098.95